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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

---------- In the Matter of ----------	DOCKET NO. 05-0002
PUBLIC UTILITIES COMMISSION	
Instituting a Proceeding to Investigate the Issues and Requirements Raised by, and Contained in, Hawaii Revised Statutes Chapter 486H, as Amended	

CHEVRON U.S.A., INC'S
INFORMATION REQUESTS TO ICF CONSULTING, LLC

AND

CERTIFICATE OF SERVICE

MICHAEL H. LAU, ESQ.
KENT D. MORIHARA, ESQ.
ISHIKAWA MORIHARA LAU & FONG LLP
841 Bishop Street, Suite 400
Honolulu, Hawaii 96813
Telephone No. (808) 528-4200

Attorneys for CHEVRON U.S.A., INC.

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COMES NOW, CHEVRON U.S.A., INC., by and through its attorneys, hereby submits its Information Requests to ICF Consulting.

DATED: Honolulu, Hawaii, May 27, 2005.

MICHAEL H. LAU
KENT D. MORIHARA

Attorneys for CHEVRON U.S.A., INC.

CHEVRON USA, INC.'S INFORMATION REQUESTS
TO ICF CONSULTING, LLC

General Issues

We would appreciate receiving electronic copies of all of the spreadsheets (with copies of, and working links to, any other backup files or data files) that were used to perform the calculations reflected in the ICF Report, and/or to generate the tables, figures and exhibits in the ICF Report.

At times, we ask ICF to "please confirm" a proposition. We do so only when we believe that the ICF Report, and/or statements made by Tom O'Connor of ICF during the May 19, 2005 conference, can reasonably be read as indicating that ICF agrees with the proposition; we are merely seeking confirmation of that from ICF. Obviously, ICF may believe that the proposition as stated is incorrect. If so, we would request ICF not merely to state that it disagrees with the proposition, but also to explain why it disagrees, and (when possible) to explain what ICF *does* believe with respect to the issue reflected in the proposition.

ICF Report, Executive Summary

CHEV-IR-1 Please confirm that ICF agrees, as is stated in their report, that various unintended consequences may result from the imposition of their proposed price caps, including potentially higher prices of gasoline to or shortages of gasoline supply for Hawaii consumers should the import-parity prices be affected by "events local to those [Singapore and Caribbean] markets," Hawaii refinery outages coupled with gas caps may "jeopardize supply" (p. 76), and the prospect that the price caps may induce an on-island refiner to shut down its refinery, with adverse effects on prices and supply not only of gasoline but also of other petroleum products (pp. 6, 74-75).

a. Please confirm that ICF has done no analysis to determine either the likelihood of such consequences or the potential costs to the Hawaii consumers as a result of such consequences.

CHEV-IR-2 On page 5, ICF notes that it is a "fact that Hawaii is isolated, small, and with a concentrated group of suppliers." Is it ICF's intent, in their proposed calculations of gas caps, to "correct" gasoline prices in Hawaii for features of the Hawaii market other than the "concentrated group of suppliers"? If not, what has ICF done to control for the particular features of the market in Hawaii that are different from the mainland (e.g. "isolated, small", as well as potentially other such features)?

CHEV-IR-3 ICF says (p. 8) that the pending ethanol legislation "will also likely result in higher costs for all suppliers to alter the distribution system to accommodate the ethanol blending and preserve gasoline quality integrity." Please confirm that ICF has not attempted to estimate the magnitude of such costs.

CHEV-IR-4 Similarly, ICF also says that "The intend of this report was not to identify the issues or impacts of ethanol blending; however, it is clearly a factor which may need to be considered ..." (p. 76) Please confirm that the current price cap formulas proposed by ICF do not make any provision for any higher costs or other considerations associated with the ethanol legislation.

CHEV-IR-5 Please confirm that, because the proposed "marketing margins" in any given year is tied to Mainland marketing margins for the *previous* year, it makes no allowance for Hawaii-specific costs associated with ethanol. Please confirm that the proposed zone adjustments are tied to the previous-year's costs, so that, even if Hawaii distributors incur higher costs in one year in responding to

the ethanol mandate, those higher costs will not be reflected in the price cap formula until the next year.

ICF Report, 1.0 Introduction to Hawaii Gasoline Market

CHEV-IR-6 Please confirm ICF assumed that, in determining the price caps, the starting point involved looking at an import parity price (ICF Report, p. 23), and then adjusting that price upward to reflect marketing margins and the costs of delivering gasoline in the various zones specified by the legislation.

CHEV-IR-7 ICF says (p. 23) that "The intent of the legislation is to reflect competitive market conditions, which we believe can be accomplished by developing an import parity price at Oahu that best represents an ongoing evaluation of the competitive alternative value of gasoline into Hawaii, and to use that as the basis for the Gas Cap formulation." What is the basis for the "we believe" assertion? Did ICF consider other alternative means (besides looking at import parity prices) to "accomplish" the "intent of the legislation"? If so, what alternatives did ICF consider? Why did ICF reject those alternatives in favor of its "import parity" approach?

CHEV-IR-8 Please confirm that ICF's estimates of "mport parity" prices are based on imports from refineries located outside of Hawaii, and thus does not reflect features specific to the on-island refineries, including:

a. The two Hawaii refineries are significantly smaller and less complex than Mainland (and in particular California) or Far Eastern refineries (see Stillwater Associates, *Study of Fuel Prices and Legislative Initiatives for the State of Hawaii*, prepared for the Department of Business, Economic

Development and Tourism, Energy, Resources and Technology Division, August 5, 2003 (hereinafter the Stillwater Report), pp. 36-37);

b. The output slate of the Hawaii refineries is very different than the output slate of the typical Mainland refinery, with the Hawaii refineries producing proportionately more lower-value fuel oil and jet fuel and less higher-value gasoline than their Mainland counterparts (Stillwater Report, pp. 7-9);

c. Hawaii has higher inventories of gasoline and other petroleum products (measured in days of supply relative to demand) than the Mainland (Stillwater Report, pp. 17, 33);

d. Because of the less-complex nature of Hawaii refineries, they tend to use light sweet crudes, which sell at a market premium relative to less-desirable crudes (see Stillwater Report, pp. 36-38).

CHEV-IR-9 ICF estimates (page 12 and Exhibit 1.3) that Hawaii's "days of supply of gasoline can vary from roughly 20 to 30 days."

a. Did ICF investigate the issue of the size of Hawaii's inventories relative to the size of Mainland inventories?

b. Does ICF have any reason to disagree with Stillwater's estimates (Stillwater Report, page 33) that Hawaii's inventories are significantly greater than those in Mainland markets?

c. Would ICF agree that one element of the "working capital" cost of petroleum refining and marketing involves the inventory of crude and finished products? Would ICF agree that higher inventories translate into higher "working capital" costs? Did ICF attempt to estimate the higher

working capital associated with additional inventories? If so, what did it find?

d. Stillwater estimated that, at 2003 prices and assuming an 8% cost of capital, the additional "working capital" costs associated with the higher inventory amounted to approximately 0.3 cpg (Stillwater Report, page 33). Did ICF attempt to estimate the higher working capital associated with additional inventories? If so, what did it find?

e. Please confirm that the ICF price cap formula does not include a provision for such a "working capital" cost differential.

CHEV-IR-10 Please confirm the following propositions:

a. Although ICF recognizes that there is a "significant price risk" associated with importing (ICF Report, page 14), ICF's proposed "import parity" price formula does not make any allowance for that risk;

b. The "price risk" that ICF had in mind (per discussion with Tom O'Connor, May 19, 2005 conference) is the risk that, after a tankerload of gasoline is purchased in Singapore and/or the Caribbean, the value of that gasoline may fall before it can be sold at wholesale/retail in Hawaii (*e.g.*, as a result of falling crude prices);

c. Though it is possible to "hedge" wholesale oil futures in certain markets (*e.g.*, there are futures markets for USGC and New York Harbor gasoline), there are no similar financial-market hedges available for wholesale/retail gasoline sales in Hawaii;

d. Though there are "spot markets" for tankerloads of gasoline in the USGC and New York, there is no comparable established "spot market" for

gasoline in Hawaii (ICF Report, page 30: "there is no visible spot market in Hawaii").

CHEV-IR-11 Please confirm that a tankerload of gasoline amounts to on the order of 3% of annual gasoline demand in Hawaii,[1] and thus represents a sizeable fraction of the annual needs of a marketer (e.g., on the order of one-fifth to one-third of the annual needs of a marketer with a 10-15% market share).

ICF Report, 2.0 Baseline Price and Location Adjustment

CHEV-IR-12 On pages 18-19 of its report, ICF discusses the quality differences in Singapore and Hawaii conventional gasoline.

a. ICF lists four differences in Singapore and Hawaii conventional gasoline: octane rating, sulfur content, benzene content, and RVP (Exhibit 2.2). For each of these factors, please confirm that ICF has not made an estimate of the potential added costs associated with different standards on the prices for Singapore and Hawaii conventional gasoline in terms of cents per gallon.

b. In particular, though ICF believes that the "net effect [on price] of these quality anomalies [between Singapore gasoline and US-quality gasoline] is reasonably small" (ICF Report, page 18), please confirm that ICF has not determined what the price adjustment would be.

[1] Stillwater estimates that "a typical cargo size for a products tanker is about 300,000 bbl, sufficient to supply all of Hawaii for 11 days, and 3 ships per month would be sufficient to supply the market in full import mode." (Stillwater Report, page 84)

c. Please confirm that Singapore gasoline has high sulfur content (ICF Report, Exhibit 2.2), and thus may not be legal for sale in Hawaii, especially under the pending lower-sulfur gasoline regulations.

d. Please confirm that ICF's assessment of import parity includes no estimate of the costs of obtaining MTBE-free product.

e. Please confirm that ICF did not take into account the impacts of ethanol and new sulfur regulations in its assessment of import parity.

CHEV-IR-13 Please confirm that ICF does not have a published price source for "Caribbean" gasoline prices, but instead *estimated* those prices as equal to USGC waterborne prices "less 1 cpg to recognize the trading competition" (page 19).

a. What is the nature of the "trading competition" that ICF identified?

b. Did ICF collect any data on transaction prices in "the Caribbean"? If so, what did that data show? How consistent were those data with ICF's estimate that Caribbean prices are (on average) equal to USGC minus 1 cpg?

c. Given that Jones Act shipping from the USGC to Hawaii is significantly more expensive than non-Jones-Act shipping from "the Caribbean" to Hawaii (ICF Report, pages 20-21), why would Caribbean exporters discount gasoline sold for delivery in Hawaii relative to USGC prices?

CHEV-IR-14 Exhibit 2.3 (page 19) presents the baseline source unleaded price data.

a. Why are the numbers in the AVG row in every column 0.5 cents lower than the average of the 1999-2004 figures in the table?

b. With regard to your response to CHEV-IR-3.a, is this a deliberate adjustment to the average?

c. Is the annual average for 1999 based on twelve months of actual prices or were some of the months extrapolated?

d. If months were extrapolated, please explain why this methodology was used.

CHEV-IR-15 In Exhibit 2.7 (page 22), which presents ICF's freight assumptions to Hawaii, note (1) says, in part, "adjusted to Honolulu."

a. Please provide this Honolulu adjustment on a monthly basis.

b. Also, please provide the formula/ methodology for determining the Honolulu adjustment including all data inputs (e.g., average speed, length of trip, days of trip, docking/ terminalling or any other fees, fixed fees for chartering, per gallon fees for insurance or other services, and any other data used to calculate the adjustment). Some of the assumptions appear to be reflected in Exhibit 2.7. Please identify the data and the sources of the data and/or estimates, given in that Exhibit.

c. How is the Honolulu adjustment applied? Is it added to the freight rate from the Caribbean? Is it subtracted from the freight rate from Singapore?

d. Does the Honolulu adjustment assume a "paying backhaul?" If not, does ICF have an estimate of the extent to which the estimated Honolulu adjustment is too low due to the omission of the added cost of an empty backhaul?

e. Is the adjustment to Honolulu the same as the "Adjust to Hawaii" in Exhibit 2.5 (page 21)?

CHEV-IR-16 The following questions relate to ICF's Exhibit 2.5 (p. 21), which presents ICF's estimates of freight costs to Hawaii from the US.

a. Please provide the information from the sources, and the sources, identified in Footnote 1 to Exhibit 2.5 (Marine Charter companies.)

b. It is not clear from the information given in Fn. 1 to Exhibit 2.5 what the information from the "Marine Charter companies" reflects. On the one hand, it is possible that the Marine Charter quotations reflected charter market conditions, including (presumably) the actual availability of backhaul opportunities (after delivering the gasoline) available to tanker operators in the time periods and on the routes used in the Exhibit. (In other words, a charter operator might quote a lower price knowing that a backhaul was available.) On the other hand, it is possible that the Marine Charter quotations explicitly assumed that there were no backhaul opportunities. Which of these alternatives (or others) does ICF believe is reflected in the information obtained by ICF from the "Marine Charter companies"? Did ICF investigate this issue? If so, what was ICF told by the Marine Charter companies that ICF talked to?

c. Please provide the calculations used to determine the incremental days referred to in Footnote 2 to Exhibit 2.5.

d. It is not clear what freight costs are being considered in Exhibit 2.5. The second column refers only to "USGC to LA." Similarly, the discussion on p. 20 only refers to "the average cost to move gasoline from the US Gulf

Coast to Los Angeles." Both of these suggest that the Exhibit does not consider two other possibilities: freight directly from the USWC (LA, SF or PNW) to Hawaii, or freight from the USEC (*e.g.*, NY) to Hawaii. But Footnote 2 to Exhibit 2.5 refers to "incremental travel ... from USGC, LA, NYH to Honolulu," suggesting that at some point ICF was considering separately calculating freight from each of the USWC, USGC and USEC to Hawaii. Please confirm that ICF's estimates of freight cost from the US Mainland to Hawaii (as given in Exhibit 2.5 and on p. 20) all assume shipment from the USGC to Hawaii. If this is not correct, please provide information on ICF's estimates of shipping costs from (a) the USWC to Hawaii and (b) the USEC (NY) to Hawaii.

e. Since the reference in the Exhibit 2.5 is to a diversion "to Honolulu" (emphasis added) compared to the other routes (USGC to LA) and the reference in the text following the Exhibit Page 21) also refers only to a diversion "into Hawaii" (emphasis added), please identify the mileage used and please confirm that only mileage to Hawaii, and not round-trip mileage, was used in the calculations.

f. .ICF suggests (p. 21) that "there is limited ability to load other products into these vessels when they leave Hawaii." Did ICF investigate whether that "limited ability" out of Hawaii was greater or less than the ability to obtain such backhauls out of LA? If so, what did it find? If not, why not?

g. Assuming *arguendo* that there are greater backhaul opportunities out of LA than out of Hawaii, and assuming *arguendo* that the USGC-to-LA freight rates estimated in the second column in Exhibit 2.5 reflect market

conditions (including the availability of backhauls *from* LA to the USGC), then we believe that it follows that, in order to take advantage of the "USGC to LA" rates shown, an importer would have to (a) haul gasoline from the USGC directly to Hawaii and then (b) make a trip from Hawaii to LA, where it would (c) take advantage of the backhauls from LA to the USGC. Does ICF agree with that reasoning? If not, please explain why not.

h. It does not appear that ICF's estimates of Hawaii freight costs reflect the costs associated with such "triangle" trips. Is that correct? Has ICF estimated the costs associated with such "triangle" trips? If so, what did it find?

i. ICF says that its freight cost "estimates may be slightly conservative (i.e., low) due to the fact that there is limited ability" for backhauls from Hawaii. By "conservative (i.e., low)" here, does ICF mean that its estimates of the freight costs are low relative to what ICF believes the actual freight costs (which would reflect the limited backhaul capability) would be? (If not, please explain.)

j. In setting an appropriate price cap, does ICF generally believe that it should use estimates of the costs of doing business that are known/believed to be "low" relative to the *actual* costs? If so, why?

k. ICF says (p. 21) that its estimates "may be slightly conservative (i.e., low) ... but it provides a good mechanism to estimate freight costs *into* Hawaii." What does ICF mean by "into Hawaii" here?

l. Would ICF agree that tanker owners need to reposition their ships to enable them to carry subsequent cargos? (If not, please explain.)

m. Would ICF agree that, unless the tanker owner (or charter company) can arrange for a paying backhaul, that may involve "deadheading" to another port? (If not, please explain.)

n. Does ICF believe that, in assessing the overall freight costs that an importer would incur in importing gasoline to Hawaii, the prospect of such non-paying "deadhead" trips, and the costs associated with such trips, needs to be considered? (If not, please explain.) If so, how (if at all) is that factor taken into account in ICF's calculations?

o. .Please confirm that the estimates in Exhibit 2.5 do not take into account differences for tanker operators between the costs of entering, offloading, and exiting Honolulu Harbor versus the costs of entering, offloading, and exiting the relevant discharge point at Los Angeles.

CHEV-IR-17 The following questions relate to ICF's Exhibit 2.7 (p. 22), which presents ICF's "assumptions" regarding freight from Singapore and the Caribbean to Hawaii. Most of these questions are similar to those for Exhibit 2.5.

a. Footnote 1 to Exhibit 2.7 says that the "vessel charter" fee is "Based on Platt's assessments for cargoes from the Caribbean and Singapore to the USWC, adjusted to Honolulu." Please identify all of the "adjustments" used.

b. What is the nature of the "adjustments" made? Are they similar (or identical) in nature to the "adjustments" used to estimate the figures in Exhibit 2.5? How, if at all, do they differ?

c. For each "adjustment" made, please identify the data and data source used in the adjustment, and provide the calculations performed.

d. What is ICF's understanding of the extent to which Platt's assessments of shipping costs reflect the market availability of backhauls? What, if anything, did ICF do to investigate that issue? What (if anything) was ICF told?

e. What assumptions (if any) were made regarding the availability of backhauls from Hawaii to the Caribbean and Singapore, relative to the availability of backhauls from the USWC?

f. At p. 65, ICF says that, in estimating the "Caribbean market to Oahu" freight cost, the Platt's Caribbean freight rate data "needs to be adjusted by ICF formula to reflect the added voyage time to Honolulu vs. the USWC." Please provide the "formula" proposed, and the values (*e.g.*, mileage/time) and sources used by ICF in its calculations.

g. At p. 65, ICF says that, in estimating the "Caribbean market to Oahu" freight cost, the Platt's Caribbean freight rate data "needs to be adjusted by ICF formula to reflect the added voyage time to Honolulu vs. the USWC." Please provide the "formula" proposed, and the values (*e.g.*, mileage/time) and sources used by ICF in its calculations.

h. At p. 65, ICF says that, in estimating the "Singapore market to Oahu" freight cost, the Platt's data (which Tom Connor of ICF said in the 5/19/05 conference should have been the Platt's Singapore-to-LA data, rather than "Platt's Indonesia to USWC" as stated on p. 65) "need to be adjusted by ICF formula for voyage time to Honolulu vs. the other destinations."

Please provide the "formula" proposed, and the values (*e.g.*, mileage/time for Singapore-to-Oahu relative to Singapore-to-LA) and sources used by ICF in its calculations. What "other destinations" is ICF referring to?

i. For each of Questions CHEV-IR-16(f) to 17(n) posed above relating to ICF's Exhibit 2.5, does ICF see any significant differences (other than those relating specifically to Jones Act vs. non-Jones-Act shipping) as between the answers as they relate to its USGC-to-Hawaii calculations, on the one hand, and its ICF's Singapore-to-Hawaii and Caribbean-to-Hawaii calculations, on the other hand? (If not, we will assume ICF's answers to Questions CHEV-IR-16(f) to –16(n) relating to Exhibit 2.5 apply as well to its calculations shown in Exhibit 2.8.) If so, please identify each difference that ICF believes significant, and explain why ICF believes it is significant.

CHEV-IR-18 Exhibit 2.8 (page 22) presents ICF's estimates of freight costs from Singapore and the Caribbean to Hawaii.

a. Please confirm that ICF had to estimate the freight costs because there is little or no data available on actual freight costs on those routes (ICF Report, page 21).

b. ICF indicates (page 21) that it "has estimated Hawaii freight costs based on a relationship between the published Platt's freight and Worldscale assessments ..." What is that "relationship"? How was it identified? Has ICF sought to quantify that "relationship"?

c. To what time period do these estimates apply? Please provide the ICF estimates of Singapore and Caribbean freight costs on a monthly basis.

d. Also, to the extent not already addressed in the answers to CHEV-IR-16 and CHEV-IR-17 above, please provide the formula/ methodology for determining the estimated Singapore and Caribbean freight costs to Hawaii including all data inputs (e.g., average speed, length of trip, days of trip, docking/ terminalling or any other fees, fixed fees for chartering, per gallon fees for insurance or other services, and any other data used to calculate the adjustment). If any of the data inputs are from public source (e.g., Platts), please provide any identifier for the data such as the data symbol, name, and/or description.

e. If any of the input data to the freight cost calculation are estimated, interpolated, or extrapolated, please provide the estimation, interpolation, or extrapolation formula/ methodology and note which years and/ or month data are estimated, interpolated, or extrapolated.

CHEV-IR-19 Please confirm that ICF did not identify particular refiners in Singapore, Asia, or the Caribbean capable of producing product sufficient in quantity and quality to supply the Hawaiian market.

CHEV-IR-20 On page 24, ICF states that "Far East refiners are in general, producing US grade gasoline on an exception basis and may require additional cost to routinely meet US product quality."

a. Please confirm that ICF has not estimated the additional cost that would be required for Far Eastern refiners to produce US grade gasoline, relative to the cost incurred to produce the standard non-US-quality gasoline that is reflected in the Platt's Singapore gasoline price series.

Please confirm that ICF has assumed that such additional cost would be de minimis.

b. Please also confirm that ICF has not fully compared MOPS 92 RON grade qualities with Hawaii mogas qualities to ensure that Hawaii requirements can be met.

CHEV-IR-21 Exhibit 2.11 (page 25) notes that "[m]onthly data for the Caribbean, Singapore, and ICF Proposed Basket begins in September 1999 and was extrapolated back to Jan."

a. Do the monthly data referred to in the note include the prices presented in Exhibit 2.3? If so, do the data in Exhibit 2.3 include extrapolated figures from January through August 1999?

b. Do the monthly data referred to in the note also include the freight rates presented in Exhibit 2.8? If so, do the data in Exhibit 2.8 include extrapolated figures from January through August 1999?

c. Please list the other data and Exhibits which have extrapolated figures from January through August 1999.

CHEV-IR-22 Exhibit 2.11 (page 25) also notes "2004 through November." Are the 2004 prices presented in Exhibit 2.3 also through November? Do the monthly data referred to in the note include the freight rates presented in Exhibit 2.8?

ICF Report, 3.0 Marketing Margins

CHEV-IR-23 During the May 19, 2005 conference, Tom O'Connor of ICF was asked to comment on the proposition (Stillwater Report, page 150) that "Marketers and retailers in Hawaii operate on roughly half the volume at double the cost of

their counterparts elsewhere in the US, which causes the per gallon cost to be approximately four times as high."

a. Did ICF investigate that issue? If so, what did it find? If ICF did not investigate this issue, why not?

b. Does ICF disagree with Stillwater's assessment in this regard? If so, how?

c. During the May 19, 2005 conference, Mr. O'Connor indicated that he had previously calculated the per-station volume in Hawaii (by dividing the annual gasoline consumption in the state by the number of retail stations), compared that volume with the Mainland average volume, and concluded that the Hawaii per-station average was comparable to the Mainland average. That calculation does not appear to be reflected anywhere in the ICF Report. Please provide the details of that calculation, and the use that ICF made of that calculation. Why did ICF perform that calculation? Did the "number of stations" used in the calculation include military (PX) stations?

d. ICF's proposed "zone adjustments" reflect *some* elements (namely, barging, terminalling and trucking) of the higher cost of doing business on the Neighbor Islands relative to doing business *on Oahu*. But other than that, it does not appear that ICF's proposed price cap formulas make any adjustment for (a) higher costs or (b) lower volumes in Hawaii, relative to the Mainland, both of which would contribute to (c) higher costs on a per-gallon basis. How (if at all) did this factor affect ICF's proposals?

CHEVRON USA, INC.'S INFORMATION REQUESTS
TO ICF CONSULTING, LLC

CHEV-IR-24 Please produce the data used to construct Exhibit 3.3 (page 31) for all years, showing volume of Hawaii refiner gasoline sales distributed through bulk, rack, DTW, and other channels. If any of the data included in Exhibit 3.3 are estimated, interpolated, or extrapolated, please provide the estimation, interpolation, or extrapolation formula/ methodology and note which annual and/or monthly data are estimated, interpolated, or extrapolated.

CHEV-IR-25 On page 34 of the report, "ICF recommends that Bulk sales from refineries in Oahu be limited to the calculated import parity pricing, plus 1 cpg to provide a margin incentive for importing."

a. Please confirm that ICF intended the "bulk sales" cap to apply to "bulk" sales as defined in the ICF glossary (page vii): i.e., "Wholesale sales of gasoline in individual transactions which exceed the size of a truckload."

b. In the definition of "bulk sales," what does ICF mean by an "individual transaction"? Is it referring to a physical delivery? Or to a contractual amount? E.g., suppose that a marketer and a high-volume retailer (such as Costco) enter into a supply agreement in which the marketer agrees to supply Costco's annual needs, but the physical deliveries occur in the form of truckloads of gasoline. In ICF's view, would such sales constitute "bulk" sales, even though each individual delivery is a truckload quantity? Or suppose that a marketer agrees to supply bargeload quantities to a jobber for distribution to the Outer Islands; in ICF's taxonomy, would such sales constitute "bulk" sales?

c. Please confirm that ICF made no allowance in the cap on bulk sales to accommodate multiple bulk sales (e.g. Chevron selling to Aloha who then sells the product to another bulk purchaser).

d. Please confirm per comments made by Tom O'Connor in the May 19, 2005 conference that ICF regards this issue as a potential issue that should be addressed in establishing appropriate bulk price caps.

e. Please confirm that ICF's proposed bulk cap is based on the assumption that bulk purchasers in Hawaii have import capability. Please confirm that, as defined by ICF, "bulk" sales can include sales to entities that (a) do not have the physical capability of handling imports and (b) purchase gasoline in quantities substantially less than tankerload quantities.

f. Please confirm that, to the extent certain "bulk" purchasers (as defined by ICF) do not have import capability, ICF's proposed bulk cap provides such bulk purchasers the benefit (in the form of lower prices) of an advantage they would not otherwise obtain in the marketplace.

g. Please confirm (per comments by Tom O'Connor in the May 19, 2005 conference) that ICF regards this issue as a potential issue that should be addressed in establishing appropriate bulk price caps (if any).

h. ICF says that it "included a 1 cpg cost to arrange for the storage and handling of imported gasoline cargoes (i.e., this adjustment places the imported volume 'into the Hawaii market' and ready to be moved into the Oahu terminal system ...)". (ICF Report, Exhibit 2.7, page 22) Is this the 1 cpg "receipt terminal" figure reflected in Exhibit 2.7? What is the basis

for the "1 cpg" estimate? How was it calculated? What costs is it intended to include?

i. Does the 1 cpg figure reflect ICF's estimate of the fully-allocated cost associated with "the storage and handling of imported gasoline cargoes"? If so, please provide the source of that estimate. If not, what "cost" is it intended to reflect? What cost elements does it include? What cost elements does it exclude?

j. In its Glossary (page xi.), ICF defines "tank turnover." Is the "1 cpg" "receipt terminal" estimate based on some assumption about "tank turnover" in Hawaii? If so, what turnover rate is assumed? (Cf. the Stillwater Report, page 84, estimating that, at one "tank turn" per month, the terminal fee "in general can be as low as 1 cpg.") If not, what is it based on?

k. Does ICF have any reason to disagree with the Stillwater estimate (Stillwater Report, page 84) that, if the Aloha terminal were "only used for the requirements of one importer, ... then the terminal would see only five shipments per year, and costs would be 4 to 5 cpg"? How, if at all, is ICF's "1 cpg" estimate related to Stillwater's "4 to 5 cpg" estimate?

l. The Stillwater Report (page 33) describes the results of a "preliminary engineering study" done in connection with a proposal that the State build a "new terminal with three tanks of 100,000 bbl each at Barbers Point," which estimated that "about 3 cpg would have to be charged for the usage of the terminal to cover operating cost and debt service, while overheads and administration would require additional revenue of 1 cpg."

Did ICF review that "study" in the course of its work? Does it have any reason to disagree with the estimated 4 cpg cost figure summarized by Stillwater, which concluded that "[t]hese costs seem to be realistic as order of magnitude estimates"? How, if at all, is ICF's "1 cpg" estimate related to the engineering study's 4 cpg estimate?

m. In its Report (page 34), "ICF recommends that Bulk sales from refineries in Oahu be limited to the calculated import parity pricing, plus 1 cpg to provide a margin incentive for importing." What is the basis for the "1 cpg" figure? How, if at all, does this "1 cpg" figure relate to the "1 cpg" terminalling estimate used to calculate the "import parity" figure?

n. In the May 19, 2005 conference, Tom O'Connell of ICF suggested that the 1 cpg was based on his experience with the margin needed to induce firms to import tankerloads of gasoline into markets on the Mainland and sell the gasoline into spot markets. If this is the basis for the "1 cpg" figure, please provide any data in support of this estimate. Why, if at all, does ICF believe that a "1 cpg" figure believed to provide an incentive to import into the liquid Mainland markets adequate to provide an incentive to import into the much-less-liquid Hawaii market?

o. How, if at all, does the fact that "there is no visible spot market in Hawaii" (ICF Report, page 30) affect the "1 cpg" recommendation?

p. How, if at all, does the fact that only one non-refining marketer (Aloha) has the physical infrastructure (terminal and tankage) capable of handling tankerload imports of gasoline affect ICF's recommendation regarding the "bulk" price cap?

q. What role, if any, does the fact that there are relatively few unbranded retailers in Hawaii[2] affect ICF's analysis and conclusions?

CHEV-IR-26 In the March 19, 2005 conference, Tom O'Connor of ICF indicated that ICF's proposed "import parity" formula yielded landed prices (gasoline plus freight) which were "very comparable to" the prices specified in the various supply contracts between the on-island refiners and non-refining marketers.

a. Does that mean that ICF obtained information about the details of the price terms of the contracts?[3]

b. If so, please provide data on the extent to which the ICF "import parity" formula yields results that differ from the contractual price terms, over the period of time for which both the ICF formula and the contract price terms are available. Ideally, such data would take the form of both (a) the maximum difference (on a monthly basis) between the "import parity" value calculated using the ICF formula and the various contractual pricing terms and (b) a statistical measure (e.g., the variance or standard error) of the difference.

c. If not, what basis does ICF have for contending that its proposed "import parity" formula yields prices that are "very comparable to" the contractually-agreed-upon prices?

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[2] Stillwater estimates that only 29 of the 339 gas stations in Hawaii are unbranded. Stillwater Report, p. 73.

[3] By way of illustration, we note that Chevron's confidential submission to the PUC did not provide such details. Instead, Chevron's confidential submission provided information about a gasoline price *benchmark* (e.g., the gasoline price in market X) to which the actual contractual price *terms* (e.g., the benchmark price plus Y cpg) themselves were tied.

d. Alternatively, ICF may be suggesting that the gasoline price *benchmarks* used in the contracts (as opposed to the price *terms* themselves) are "very comparable to" the gasoline price benchmark used by ICF (namely, the simple average of Singapore and estimated Caribbean gasoline prices). If so, please provide data on the extent to which the ICF gasoline price benchmark yields results that differ from the contractual benchmarks, over the period of time for which both the ICF formula and the contractual benchmark terms are available. Ideally, such data would take the form of both (a) the maximum difference, positive or negative (on a monthly basis), between the ICF gasoline price benchmark and the various contractual benchmarks and (b) a statistical measure (e.g., the variance or standard error) of the difference.

e. ICF says (p. 25) that "Should information become available regarding transactions between Hawaii refiners and Bulk customers done on an 'import parity' equivalent, ICF will review them in the context of our recommendations." Does this imply that ICF has *not* received "information ... regarding transactions between Hawaii refiners and Bulk customers"? Or does it mean that ICF believes that such transactions are not "done on an 'import parity' equivalent"? (If the latter, what is ICF's understanding of the contract terms?) It does not appear that ICF's proposed bulk price cap recommendations were based on the actual terms of such bulk contracts; please confirm.

CHEVRON USA, INC.'S INFORMATION REQUESTS
TO ICF CONSULTING, LLC

CHEV-IR-27 On page 35, ICF says that "Exhibits 3.8 and 3.9 show that the Oahu gross margins for DTW and Rack Sales have averaged about 32 and 28 cpg in 1999-2004, although margins declined in 2004 to 21 and 18 cpg, respectively." In the report, Exhibits 3.8 and 3.9 do not show Oahu gross margins for DTW and/or rack sales. Are there additional Exhibits showing the method of calculation and/or the results for the Oahu gross margins for DTW and rack sales which were not included in the report? If so, please provide them.

CHEV-IR-28 In determining the wholesale rack margins in Exhibit 3.9 (page 36) "estimated barge rates" are used.

a. Please provide these estimated barge rates on a monthly basis.

b. Also provide the formula/ methodology for determining them including all data inputs (e.g., average speed, length of trip, days of trip, docking/ terminalling or any other fees, fixed fees for chartering, per gallon fees for insurance or other services, and any other data used to calculate the rates).

CHEV-IR-29 The wholesale rack margins in Exhibit 3.9 (page 36) also use "published tariffs." Please provide the published tariff data on a monthly basis noting pipeline company, origin, destination, FERC tariff number, and effective date.

CHEV-IR-30 Please confirm that the DTW and rack caps were calculated based on the assumption that the margins in Hawaii should be based on the "average mainland margin."

a. Please confirm that no attempt was made (other than in the context of the "zone adjustments") to adjust the margins for differences between

Hawaii and the mainland, whether in the form of the higher cost of running a business in Hawaii, smaller markets, fewer supply alternatives, etc.

b. Please confirm that the particular benchmarks were chosen based on (1) "a geographic mix of locations in the East-of-the-Rockies area" (ICF Report, page 52) that sell (2) conventional (not reformulated) gasoline for which (3) there was available and transparent data on DTW/rack prices and data available to estimate the delivered (source plus transportation) cost of gasoline into those markets (see Exhibit 3.8). It appears that, in calculating the DTW margins, ICF also limited its focus to "Mainland markets which have a significant volume of DTW business" (ICF Report, page 40). Please confirm that these were the criteria used in selecting the Mainland benchmarks used by ICF.

c. Please confirm that different caps could have resulted if five different areas on the Mainland had been used as benchmarks, had data been readily available for these areas.

d. The ICF calculations show that, as estimated by ICF, the Mainland rack margins (Exhibit 3.9) and DTW margins (Exhibit 3.14) vary dramatically both (1) over time and (2) across the different "benchmark" cities selected by ICF. Did ICF conduct any investigation to see why those margins varied over time and across cities? If so, what did that investigation show? To what does ICF attribute the variability?

e. Given the variability, why does ICF believe that an "average" Mainland margin is the appropriate benchmark for a price cap on Hawaii marketing

margins (as opposed, say, to the highest Mainland margin, or a Mainland margin in a region otherwise comparable to Hawaii)?

f. ICF acknowledges (page 47) that its analysis "relies heavily on the Mainland margins. This is done to provide an 'outside Hawaii' perspective ..." Why does ICF believe that an " 'outside Hawaii' perspective" is appropriate in determining price caps to apply to Hawaii?

CHEV-IR-31 Exhibit 3.11 (page 38) shows ICF's estimated Oahu rack margin for 1999 through 2004 and an average of 1999-2004. The average of 1999-2004 shown in the table is 19.41, but the average of the rack margins for 1999 through 2004 (i.e., 13.89, 12.30, 33.44, 18.69, 23.48, and 14.23) is 19.34. Why are the two averages different? Is this due to rounding?

CHEV-IR-32 ICF proposes that "[b]ased on the historical peak month average margins, the Hawaii margin factor should be double the prior year Mainland annual average ..." (ICF Report, page 39). Please confirm (per statements made by Tom O'Connor in the May 19, 2005 conference) that the "double" figure was not chosen to, or intended to, reflect differences in the per-gallon cost of doing business in Hawaii vs. the Mainland cities chosen, but instead was intended to give marketers flexibility to deal with the month-to-month variability in supply/demand factors that result in volatility of margins even in mainland cities (e.g., the Detroit variability reflected in Exhibit 3.10).

CHEV-IR-33 The following questions relate to retailing:

a. In its 2003 Report, Stillwater identifies (pp. 63-65) a taxonomy of different types of retailers. While obviously different taxonomies can be

generated, does ICF have any particular reason to take issue with the taxonomy as proposed by Stillwater?

b. What role, if any, did the growth of High-Volume Retailers (like Costco) in Hawaii play in ICF's analysis?

c. While Stillwater recognizes the distinction (p. 63) between "company ops" (stations "owned by the branded supplier and operated by salaried personnel") and non-company-operated branded dealers, Stillwater also acknowledges the distinction between "lessee" and "owner operated dealerships" (p. 63). Would ICF agree that the distinction between independently-owned and –operated branded retail stations and branded lessee dealers is that the former own (or lease) their premises, buildings and facilities, while in the case of lessee dealers the branded gasoline marketer owns the station, building and equipment, but leases it out to a dealer who operates the station?

d. Would ICF agree that, for lessee dealers, the marketer incurs the capital cost associated with the land, station building and facilities?

e. Stillwater estimated (Stillwater Report, Tables 4.3 and 4.4 , pp. 67-70) that the cents-per-gallon cost of operating a retail station in LA, Oahu and rural Hawaii were very different.[4] Did ICF perform any similar analysis to that reflected in Stillwater's Tables 4.3 and 4.4? If so, what did it show? If not, why not?

[4] Obviously, the figures calculated in Stillwater's Table 4.3 are somewhat out of date, based as they were on Stillwater's estimates of revenues and cost of goods sold.

f. On an order-of-magnitude basis, Stillwater estimated (Table 4.3) that the monthly expenses (even after controlling for COGS) were roughly twice as high (on a cpg basis) in Oahu (30.0 cpg) as in LA (14.6 cpg), and roughly three times as high in rural Hawaii (42.9 cpg) as in LA. Did this discrepancy play any role in ICF's analysis?

g. In particular, given that some marketers in Hawaii sell a significant amount of volume through lessee dealers, how (if at all) did that factor affect ICF's determination of the appropriate "marketing margin" for Hawaii?

h. On an order-of-magnitude basis, Stillwater estimated (Table 4.4) that the retail capital requirements for stations in Hawaii, measured on a cpg basis, were on the order of some six times higher (19.3 cpg vs. 3/5 cpg) than those for stations in LA.[5] Did this factor play any role in ICF's analysis? If so, what role?

i. Would ICF agree that real estate in LA is among the most expensive real estate in the US? Would ICF agree that the "benchmark" cities used by ICF in its analysis, by comparison, have significantly lower real estate costs than LA does? What role, if any, did this play in ICF's analysis?

CHEV-IR-34 Please describe the methodology/formula used to estimate the Oahu rack margin shown in Exhibits 3.11 (page 38) and 3.12 (page 39).

a. Please provide the formula/ methodology for estimating the Oahu rack margin and provide all data inputs and note their sources.

b. Confirm that the Oahu rack margin is based on EIA data for the state of Hawaii and describe the way in which this state-level margin was adjusted to reflect Oahu.

CHEV-IR-35 Exhibit 3.13 (page 40) presents branded versus unbranded price comparisons for five cities for 2002 through 2004.

a. Why were the cities of Atlanta, Portland, ME, and Phoenix, which were used in determining the wholesale rack margins in Exhibit 3.9 (page 36), omitted from the analysis in Exhibit 3.13?

b. If ICF has examined the branded and unbranded prices for Atlanta, Portland, ME, and Phoenix, please present the branded versus unbranded price comparisons for these three cities in a table similar to Exhibit 3.13.

c. Do the prices used in Exhibit 3.13 include regular, midgrade, and premium unleaded gasoline or only regular unleaded gasoline?

d. Please provide the branded and unbranded prices at each location used in Exhibit 3.13 on a monthly basis.

e. Please also provide the formula/ methodology for determining the branded vs. unbranded price comparison including all data inputs (e.g., branded price and averages, unbranded prices and averages, and any other data used to calculate the comparisons).

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[5] N.B.: in Stillwater's Table 4.4, the totals for "Leases & debt service" in the fourth line from the bottom of the Table are equal to the "improvements" entry in the preceding line, suggesting that the entries given in the "Improvements" line of the Table are typos.

f. For the data from OPIS, please provide any identifier for the prices such as poster, product indicator, product type, octane level, RVP, and any other price name and/or descriptor.

CHEV-IR-36 Please describe the methodology/formula used to estimate the Oahu DTW margin shown in Exhibits 3.16 and 3.17 (page 42).

a. Please provide the formula/ methodology for estimating the Oahu DTW margin and provide all data inputs and note their sources.

b. Confirm that the Oahu DTW margin is based on EIA data for the state of Hawaii and describe the way in which this state-level margin was adjusted to reflect Oahu.

CHEV-IR-37 On page 42, ICF states, "...data indicate that DTW margins can at times be double the average for periods of a month or longer. It is important that this pricing flexibility be provided in the Gas Cap formula to enable marketers to competitively position their product or it is likely the average margin will not be achievable. Moreover, it is also directionally addresses the fact that Hawaii marketers may be managing their business with higher fixed costs per gallon of sales than the Mainland markets evaluated."

a. Please confirm that ICF has performed no analysis to evaluate whether Hawaii marketers have higher fixed costs per gallon of sales than mainland marketers.

b. Please confirm that ICF done no analysis to determine how their proposal will affect the profitability of any marketer in Hawaii.

CHEV-IR-38 Please confirm that ICF has not performed any analysis to determine whether refiners in Hawaii have higher fixed costs per gallon than mainland refiners.

a. Also, please confirm that ICF has performed no analysis to determine how their proposed caps will affect the profitability of the two refiners.

CHEV-IR-39 Did ICF investigate the different types of services provided by the various participants (refiner/marketers, non-refining marketers, jobbers) in the Hawaii gasoline market?

a. See Stillwater Report, Table 4.1 (p. 57), for a description of various "key jobbers" in Hawaii, the islands they operate on, and a brief description of their roles. What investigation did ICF make of the nature and capabilities of the various jobbers operating in Hawaii? Does ICF have any reason to disagree with the Stillwater characterization of those various jobbers?

b. Does ICF have any reason to disagree with the Stillwater conclusion (Stillwater Report, p. 123) that "In Hawaii, substantial differences exist in the range of services provided by jobbers"? If so, how does ICF's assessment differ from Stillwater's assessment? If not, how does that affect ICF's proposed structure of price caps?

c. Would ICF agree that, to the extent that different "jobbers" perform different types of services, it is not appropriate to treat them all as though they constitute a single "class of trade"?

d. Does ICF agree with Stillwater's assessment (Stillwater Report, p. 123) that "Because of the differences in the range of services provided [by jobbers] and because jobbers buy their fuels from the primary suppliers mostly under long term supply agreements, there is no meaningful rack

price in Hawaii"? If not, please identify the nature of the disagreement and the reasons for the disagreement.

e. Please confirm that ICF has not compared the range of services performed by Hawaii jobbers versus the range of services performed by jobbers on the Mainland in its proposed price caps.

CHEV-IR-40 ICF suggests that "[T]he different classes of trade cannot be regulated under one common margin" (ICF Report, p. 2), and "recommend[s] extensive adjustments to 486H-13(e) to provide a different marketing margin for each class of trade in Hawaii." (Id.)

a. Please confirm that it is ICF's understanding that the legislation imposes only one "wholesale" price cap (with adjustments for midgrade/premium and for zone differences) to apply to *all* wholesale transactions, regardless of the "class of trade" to which the sale was made.

b. Does ICF have any reason to believe that, when adopting the price cap legislation, the legislature was *not* aware of the fact that there are different "classes of trade" in Hawaii?[6]

c. Does ICF have any reason to believe that the roles of the different "classes of trade" in Hawaii have appreciably *changed* since the legislation was originally adopted? Since the price cap legislation was amended? If so, what is the nature of the change that ICF believes has occurred?

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[6] See Hawaii Revised Statutes, Sec. 486H-1 (definitions), and Sec. 486H-13(a), which explicitly refers to "manufacturer, wholesaler, *or* jobber" as well as "dealer retail station" and "independent retail station," implying that the legislature was aware of the differences between manufacturers (refiners), non-refining wholesalers, and jobbers when it passed the price-cap legislation.

d. Please confirm that it is ICF's understanding that the "cap" is intended to be a maximum (*i.e.*, "not to exceed") price, rather than a "regulated" price (in the traditional sense of PUC-regulated-and-set prices based on considerations such as rate-of-return regulation).

e. Please confirm that ICF's proposed price caps were not based on any rate-of-return type analysis for the Hawaii refiners and/or the non-refining Hawaii marketers or jobbers.

f.

ICF Report, 4.0 Premium & Midgrade Adjustments

CHEV-IR-41 On page 53 in discussing margins for midgrade and premium gasoline ICF says it "does not believe there is value in further differentiating the Rack sales based on Branded and Unbranded classes of trade. The Premium (and Midgrade) spreads versus Regular Unleaded are not believed to vary significantly between these classes of trade." Did ICF test whether there was a significant difference in the branded v. unbranded margin for midgrade and premium compared to regular unleaded? If so, please present the results in a table similar to Exhibit 3.13. If ICF did not test for these differences, why not?

CHEV-IR-42 Exhibit 4.8 (page 55) presents the premium and midgrade DTW margins.

a. Which states were used in this calculation?

b. The source listed in this Exhibit is "Platt's Rack Price averages for 6 states (Florida, Georgia, Maine, Michigan, and New York)."

c. Should the source list five or six states?

d. Section 7.2.3 Premium Gasoline Adjustment and 7.2.4 Mid Grade Price Adjustment (page 67) state that EIA data in selected States were used to determine the DTW premium and midgrade differentials. The states listed are New York, Georgia, Texas, Michigan, Maine, and Florida. Was Texas included in the average? If so, why was it included when in the calculation of the DTW margin in Exhibit 3.14 (page 41), Texas is excluded due to its low level of DTW volumes?

CHEV-IR-43 Was any analysis done regarding the percent of gasoline sold in Hawaii, versus the mainland benchmark areas, by grade?

a. Is ICF aware, one way or the other, as to whether these mainland benchmark areas consume the same percent of regular unleaded, for example?

b. The Stillwater report indicates (pp. 65-66) that Hawaii consumers demand a higher percentage of premium gasoline and a lower percentage of regular gasoline, relative to Mainland demand. Did ICF investigate that issue? Does ICF have any reason to disagree with the Stillwater data? What role (if any) did that factor play in ICF's analysis?

c. Would such information be helpful in understanding whether the mainland benchmark areas might be appropriate to apply to Hawaii?

d. In particular, to the extent that higher demand for premium reflects less price-sensitive consumers (i.e., a more inelastic demand) in Hawaii relative to the Mainland, did ICF investigate the extent to which that demand-side characteristic help explain why prices and margins are

higher in Hawaii than on the Mainland, for reasons having nothing to do with lack of competition in the Hawaii wholesale marketplace? If so, what did its investigation show? If not, why not?

CHEV-IR-44 Did ICF consider the costs of the various additive packages for premium or midgrade gasoline in setting the grade differentials?

a. Is ICF aware of whether the differentials that ICF set are higher or lower than those additive costs?

CHEV-IR-45 Is it ICF's understanding that the retail market in Hawaii is competitive? If so, would existing Hawaii retail grade differentials be better approximations of wholesale grade differentials than grade differentials that exist in other areas of the country? Please explain your response.

ICF Report, 5.0 Documents, Data and Information Needed to Determine Zone Price Adjustments

CHEV-IR-46 In its analysis of trucking costs related to DTW sales (page 60), ICF says that it "believes that Oahu's trucking costs are representative of Mainland regions used in determining the DTW marketing margin."

a. What is the basis for this belief? How did ICF investigate this issue?

a. What specific characteristics of trucking costs did ICF consider in comparing trucking costs on Oahu to trucking costs on the Mainland? In particular, in its trucking cost comparison, what assumptions did ICF make regarding:

1. Fuel cost in cents per gallon;
2. Trip length in miles;
3. Average speed

4. Time to load and unload the truck;
5. Number of trips per day;
6. Wages and benefits of truck drivers;
7. Fixed costs of trucking operations (e.g., insurance, general and administrative costs); and
8. Any other factors considered by ICF.

CHEV-IR-47 Does ICF have any reason to disagree with the Stillwater conclusion (Stillwater Report, page 28) that Hawaii freight rates are "regulated by the Hawaii Public Utilities Commission" and that Hawaii freight rates are "high compared to mainland truck freight rates over similar distances in an urban environment"? If so, what is the basis for, and nature of, for that disagreement?

ICF Report, 6.0 Zone Price Adjustments

CHEV-IR-48 ICF notes that the Commission asked market participants for "the actual cost to move product to the outer zones" and that "as with any competitive situation, there is a range of costs that were identified" (page 61). Would ICF agree that, whenever there is a "range" of costs provided, that some firms will have higher costs than the average, and some will have lower costs?

a. Would ICF expect that, even if one were to assume that all firms in the market are equally efficient, some of the cost differentials across firms could simply be due to the fact that different firms service a different mix of customers in different locations with different volumes, and thus face different costs of doing business?

b. Would ICF expect that costs can vary for reasons other than exercise of market power, or inefficiency?

CHEV-IR-49 In discussing barging and trucking cost determination for the zones, ICF relied on actual company data for 2003 and 2004 (page 61). Has ICF done any analysis which would support its assumption that 2003 and 2004 were "typical" years for transportation costs in Hawaii?

a. If ICF has done such an analysis, please present the results showing transportation costs in 2003 and 2004 as compared to a "typical" period, define what ICF would consider "typical," and include any relevant factors ICF took account of in its analysis, such as fuel cost in cents per gallon, the trip length in miles, average speed, time to load and unload the tanker truck, number of trips per day, wages and benefits of truck drivers, fixed costs of trucking operations (e.g., insurance, general and administrative costs), and any other factors ICF considered.

CHEV-IR-50 In discussing barging and trucking cost determination for the zones, "[t]hese numbers [actual company data on transportation costs for 2003 and 2004] were analyzed by ICF to determine reasonableness based on Hawaii's overall demand level, terminal size, and barge operational considerations (distance, etc)" (page 61).

a. Based on Hawaii's overall demand level, terminal size, and barge operational considerations, what barging and trucking costs did ICF deem "reasonable?"

b. Did ICF reject any of the company actual data because it was not "reasonable" based on its analysis of Hawaii transportation conditions? If

so, were the rejected figures predominately from one company, a few companies, or did they range over many companies?

c. If any company data were rejected, were the rejected figures predominately too high or too low?

CHEV-IR-51 ICF's estimates of barging costs "include an additional cost for losses, inspections, and demurrage of 0.7 cpg" (page 61). Is this additional cost based on actual company data for 2003 and 2004? If not, please explain how ICF developed this additional cost, including assumptions made regarding the percentage losses, cost and number of inspections, waiting time at terminals, loading/unloading time at terminals, and any other factors which are included in ICF's determination of the additional cost.

CHEV-IR-52 Exhibit 6.3 (page 64) shows that the "Impact" of the proposed price caps in August 2004 (measured by the difference between the "Estimated DTW" and "Estimated Rack" and the "Gas Cap, DTW" and "Gas Cap, Branded" figures proposed by ICF). This Exhibit shows that the impact would have been significantly higher in the Neighbor Islands (especially Kauai and Maui/Kahului) than on Oahu. Has ICF performed any analyses examining the differential impact of its price cap proposals on Oahu versus other zones for August 2004 or for other months in 2003 and 2004? If so, please present the results of these analyses in a table similar to Exhibit 6.3.

CHEV-IR-53 In discussing the effect of the zone price caps on page 64, ICF says "[t]he price data available to ICF for actual company zone pricing was limited to 2003 and 2004; however an estimate of the impact can be made using data from August 2004."

a. Did ICF do an analysis of the effect of the zone pricing for 2003 and months other than August in 2004? If so, please present the results of this analysis on a monthly basis in a table similar to Exhibit 6.3.

b. Why was August 2004 chosen to estimate the impact if data from other months in 2003 and 2004 were available?

c. Did ICF do any analyses to determine if the impact in August 2004 was typical of the impact in other months of 2003 and 2004? If so, please present the result of this analysis.

d. Why are the data presented in this Exhibit a mixture of a 2004 price ("the August 2004 import parity") and 2005 adjustment factors ("2005 market and zone adjustment factors")?

e. Did ICF calculate the zone gas cap impacts for any months in 2005, using all 2005 data (i.e., 2005 "import parity" prices and the "2005 market and zone adjustment factors")? If so, please present these calculations in a table similar to Exhibit 6.3.

CHEV-IR-54 In discussing the effect of the zonal price caps on DTW and rack prices on page 64, ICF says "company zone adjustment data was not sufficient to estimate 2004 zone factors." Does this statement mean that the 2003 company data (on which the 2004 zone factors would have been based) were not sufficient to estimate zone factors?

ICF Report, 7.0 Documentation Needed for Compliance

CHEV-IR-55 On page 66 in discussing the DTW prices, ICF says "an additional transportation adjustment was made for situations where additional transport to terminals within a state may have been required." For what cities and time

periods were these additional transportation adjustments made? Please provide, on a monthly basis, these additional transportation adjustments and provide the formula/ methodology for determining them including all data inputs (e.g., the additional terminals within the state considered, the cost of transportation to these additional terminals, and any other data used to calculate the adjustments).

ICF Report, 8.0 Evaluation of Gas Cap Impacts and Other Issues

CHEV-IR-56 On page 73 in discussing the Oahu DTW and rack prices, ICF says "[b]ased on Hawaii's gasoline demand by county (DBEDT), and using 2003 and 2004 zone DTW and Rack pricing provided by the companies, ICF estimated Oahu DTW and Rack prices." Please provide, on a monthly basis, the estimated Oahu DTW and rack prices, Hawaii's gasoline demand by county, and the zone DTW and Rack pricing. Provide the formula/ methodology for determining the Oahu DTW and rack prices.

CHEV-IR-57 ICF recognizes (p. 73) that "the impact of conducting business within the Cap framework may result in some significant re-evaluation of assets and business by industry participants." Did ICF perform any numerical analysis of the likely effect of the proposed cap on particular "assets" in Hawaii?

a. In particular, did ICF perform any analysis of the effect on the value of the on-island refineries? On the "business" associated with on-island refineries?

b. Would ICF agree that the likely impact of the price cap formulas proposed by ICF would vary across different market participants?

c. In particular, would ICF agree that the price cap would have virtually no effect on sales made through company-owned-and-operated retail gas stations, since any "wholesale" price "charged" by the marketer "to" the station would only be an internal *transfer* price?

d. Did ICF perform any analysis of the differential effect of its proposed price cap formulas on different market participants? If so, what did that analysis indicate?

CERTIFICATE OF SERVICE

I hereby certify that on this date I served copies of the foregoing document upon the following parties, by causing hereof to be mailed, postage prepaid, properly addressed, or hand delivered, to the following:

DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
P. O. Box 541
Honolulu, Hawaii 96809

DAVID HEERWALD LEONARD
VICE PRESIDENT & GENERAL COUNSEL
TESORO HAWAII CORPORATION
91-325 Komohana St.
Kapolei, Hawaii 96707-1713

CRAIG I. NAKANISHI, ESQ.
RUSH MOORE LLP
737 Bishop St., Suite 2400
Honolulu, HI 96813

CLIFFORD K. HIGA, ESQ.
BRUCE NAKAMURA, ESQ.
KOBAYASHI, SUGITA & GODA
First Hawaiian Center
999 Bishop St., Suite 2600
Honolulu, HI 96813

DANNY BATCHELOR
SENIOR COUNSEL
SHELL OIL COMPANY
P. O. Box 2463
Houston, TX 77252-2463

HAWAII PETROLEUM MARKETERS ASSOCIATION
c/o ROBERT W. FUNG, PRESIDENT
P. O. Box 500
Honolulu, HI 96809

KELLY G. LAPORTE, ESQ.
MARC E. ROUSSEAU, ESQ.
CADES SCHUTTE LLP
1000 Bishop St., Suite 1200
Honolulu, Hawaii 96813

DATED: Honolulu, Hawaii, May 27, 2005.

MICHAEL H. LAU
KENT D. MORIHARA

Attorneys for Chevron U.S.A. Inc.